

The E₂CØ Program™

ECO Zero LLC
Sales Points



Why Now?

Building Owners' Pain

- Immediate need to reduce operating costs and improve cash flow
- Tight capital budgets delaying retrofit or replacement projects
- Green, sustainability pressure from corporate office and/or tenants



Why Now?

The Prescription

“The Empire State Building retrofit project, with its 40% energy savings, had a 3 year payback period. It would be bad business not to do this.”

-- Tony Malkin, President of Malkin Securities,
Owner of the Empire State Building



Why should you do this?

The Problem

ESCO industry revenue from energy efficiency = \$2.5 billion

Energy efficiency savings of \$300 to \$800 million

Growth in demand is about 10 times the annual savings



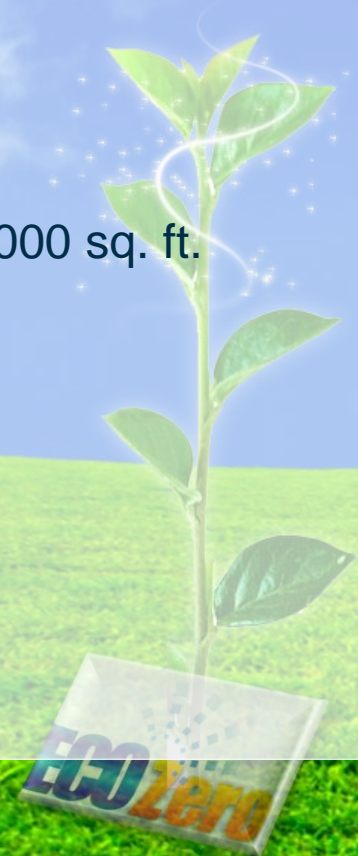
Why should you do this?

What Projects Get Done

Only 18% of ESCO projects are in commercial buildings

Projects are at least \$1 million in size

Conducted in buildings that are greater than 250,000 sq. ft.



Why should you do this?

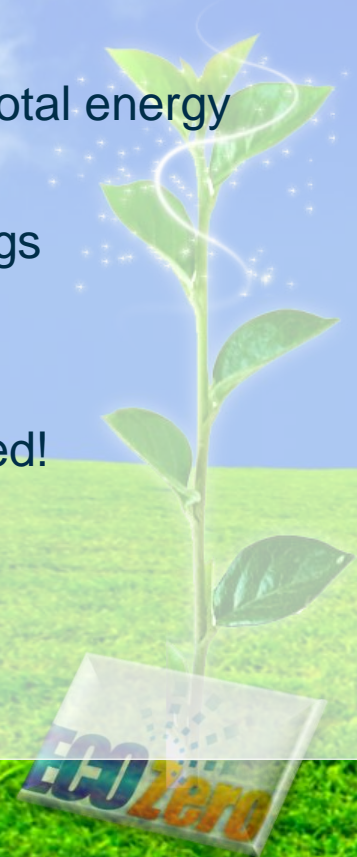
THE UNTAPPED MARKET

4.6 million commercial buildings in the US

Only 1% > 200,000 sq. ft – accounting for 25% of total energy

The remaining 99% of commercial buildings
Consume 75% of total energy

This is a vast untapped market to be served!



Targeting Prospects

Attractiveness:

of buildings controlled

End use (Office, Schools, Medical Office, Retail)

Size (25,000 sf – 200,000 sf)

Receptiveness:

How motivated are the owners?

Who pays the utility bills?

Is the building owner-occupied?

Lease renewal challenges

Existing energy/sustainability strategy

Energy benchmarking legislation



Target the Correct Decision Making Level

% of Time Spent	Position	What Motivates Them	Why Talk to Them
20% - 30%	VP Finance, VP Operations, VP Facilities	Reducing operating costs (management pressure)	Decision maker for service
45% - 60%	Facilities or Plant Manager	Happy tenants Looking good to their owners	Can influence decisions Partner with them to go upstairs In the loop w/ current service provider
10% - 20%	CFO/COO Controller	Overall operating cost and corporate objectives	Needed to approve Can direct activities
5% - 10%	Building Engineer	Minimizing downtime Reduced complaints	Close to mechanical equipment Need to win over May have veto power



Controllable Operating Costs

Energy = 30%

Service/Repairs = 22%

Administrative = 19%

Cleaning = 17%

Grounds/Security = 10%

Energy use is the single largest operating expense in commercial office buildings.



BOMA Says:

MEASURES	Savings Estimate	
	%	\$
Preventive Maintenance	7.0%	\$15,171
Occupant Behaviors	3.5%	\$7,585
Lighting	9.4%	\$20,372
Controls	7.3%	\$15,821
Equipment	3.5%	\$7,585
TOTALS	27.3%	\$59,089

Savings assume 100,000 sf building with initial Energy Star rating of 50 with energy costs at \$0.09/per kWh.



What's a Watt Worth?

Reduce lighting 1 watt per sq ft.

$$1W \times 100,000 \text{ SF} \times 85 \text{ hrs/wk} \times 52 \text{ weeks} = 442,000 \text{ kWh}$$

Less light = Less Heat to be Removed

$$100,000W \times 3.412 \text{ Btu} / 12,000 \text{ Btu per Ton} = 28.4 \text{ Tons}$$

Cooling Energy Reduction

$$28.4 \text{ Tons} \times 0.8 \text{ kW/Ton} \times 4,420 \text{ Hrs} = 100,422 \text{ kWh}$$

Total Energy Savings

$$442,000 + 100,422 = 542,422 \text{ kWh}$$

Savings in Annual Operating Costs

$$542,422 \text{ kWh} @ \$0.10/\text{kWh} = \$54,242 \text{ or } \$0.542/\text{SF}$$



Effect of Energy Savings on Value

Per Square Foot	Before	After
Total Income	\$25.24	\$25.24
Less: Total Expenses	12.95	12.41
Equal: NOI	\$12.29	\$12.83
Capitalization Rate	8.18%	8.18%
Equal: Building Value per sq. ft.	\$150.24	\$156.85
Value created per sq. ft.		\$6.61
Total value created (100,000 SF)		\$661,000



The Immediate Benefit

“Green buildings are clearly achieving higher Rents and higher occupancy, They have lower operating costs, And they’re achieving higher sale prices”

-- Andrew Florance, President and CEO of CoStar Group



Energy Savings on Company Value

1. Company Value	
Annual Energy Savings	\$54,242
S&P PE Ratio	24.92
Increase in Company Value	\$1,351,711
2. Energy Savings	
Annual Energy Savings	\$54,242
Investment Horizon	20 years
Total Energy Savings	\$1,084,840
3. Present Value	
Annual Energy Savings	\$54,242
Gross Present Value (20 years @ 5%)	\$675,975
Less Initial Investment	\$135,605
Net Present Value	\$540,370



Energy Savings Metrics

Initial Investment	\$135,605
Annual Energy Savings	\$54,242
Simple Payback	2.5 Years
ROI on Energy Savings	40.0%
ROI on Increased Building Value	487.4%
ROI on Increased Shareholder Value	996.8%



Reduce operating costs 30% without capital!

“Through implementation of no- and low-cost operation and management practices alone, buildings may see a reduction in energy consumption of up to 30 percent.”

SOURCE: Building Owners and Managers Association International (BOMA)

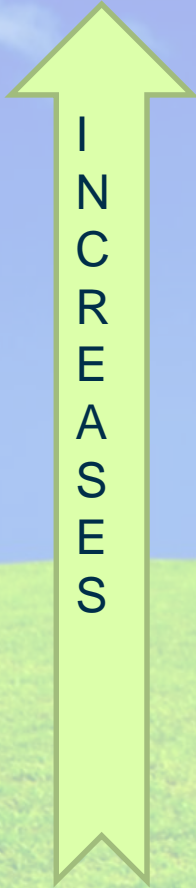


Why Energy Efficiency is Important

Building Size	Energy Cost/sf	Savings %	Savings \$
10,000	\$2.40	5%	\$1,200
		10%	\$2,400
		25%	\$6,000
50,000	\$2.40	5%	\$6,000
		10%	\$12,000
		25%	\$30,000
100,000	\$2.40	5%	\$12,000
		10%	\$24,000
		25%	\$60,000



Retrofit Building Values:



- Building Value
- Rent Premiums
- Tenant/Occupant Satisfaction
- Building Performance
- Marketing/PR Value
- Lease Rates
- Indoor Environmental Quality



Retrofit Building Values:

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- Cost of Occupancy
- Resource Use
- Vacancy/Churn Costs
- Operating Costs



Qualifying Sales Questions:

IS MANAGEMENT CONCERNED ABOUT OPERATING COSTS?

- Are you feeling any pressure to cut operating costs?
- Are you feeling pressure to reduce the cost of your service agreement?
- Are you feeling pressure to reduce your utility bills?



Qualifying Sales Questions:

WHAT ABOUT YOUR TENANTS?

- Is your building 100% leased now?
- When is the next lease due for renewal?
- Are you getting pressure from tenants to reduce operating costs?
- Are your operating costs affecting renewals and your vacancy rate?



Qualifying Sales Questions:

WHAT ARE YOU DOING ABOUT IT?

- Do you know how much you are spending on energy today?
- Do you know how that compares to similar buildings in your market?
- What are you and your current service provider doing to reduce operating costs?
- If I could identify opportunities to immediately reduce your operating costs and improve cash flow, would you be interested in learning more?



Your talking points:

- We understand your need to reduce costs now
- We have a unique approach
- Not only addresses long-term cost of ownership
- Identifies immediate operating cost savings
- Cost savings will more than cover the cost of the service we provide



Your talking points, cont.:

- Our services helps improve tenant comfort
- Protect your investment in the building
- Help you concentrate on your core business
- Positive cash flow from Day #1



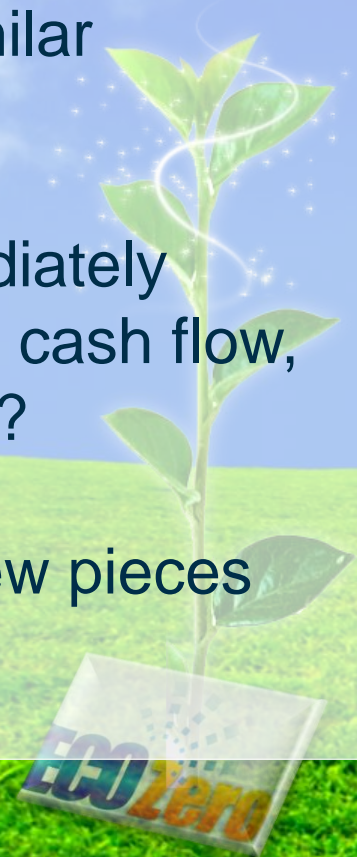
Step #1: Probe for Financial Pain

- What are the biggest issues facing your business today?
- Are you feeling pressure to reduce your operating expenses?
- Is that pressure from management, tenants, or both?
- Are high operating costs affecting your ability to retain tenants?
- How would reduced operating expenses improve your bottom line?



Step #2: Key Questions

- Do you know how much you are spending on energy today?
- Do you know how that compares to similar buildings in your market?
- If I could identify opportunities to immediately reduce your operating costs and improve cash flow, would you be interested in learning more?
- To get started, I just need to collect a few pieces of information from you.



Step #3: Demonstrate Potential Savings

Conduct an EUI QuickCheck, if the client is reluctant; a full Benchmark Survey if more information is forthcoming.

Validates your position by quickly showing you how the energy performance of your client's building compares to others of like type.

Get commitment to move to next step.

Simple, easy



Your customers need help!

Building owners are under the impression that taking action will cost them money and doing what they have always done is free.

They couldn't be more wrong.

There is always a cost of doing nothing.

Show how much money is being wasted by doing nothing.



What are the steps to get started?

ECO Zero LLC

856 Gate Way

Hillside, New Jersey 07205



Contact us at:

Email: info@myEcoZero.com

Phone: 412.ECO.Zero (412.326.9376)

